PMA Is Here To Stay

Gregory D. Kucera, GM
Aviation Component Solutions

2014 Gorham Conference
March 27, 2014

Agenda

- Market Economics
- Aviation Market
- PMA Market
- PMA Market Challenges

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Market Economics

ENCYCLOPÆDIA BRITANNICA

Monopoly

A monopoly implies an exclusive possession of a market by a supplier of a product or a service for which there is no substitute. In this situation the supplier is able to determine the price of the product without fear of competition from other sources or through substitute products. It is generally assumed that a monopolist will choose a price that maximizes profits.

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Market Economics

ENCYCLOPÆDIA BRITANNICA

Perfect competition

In perfect competition, a large number of small sellers supply a homogeneous product to a common buying market. At any going market price, each seller tends to adjust his output to match the quantity that will yield him the largest aggregate profit. Theoretically, the process will go on until a market price is reached at which the total output that sellers wish to produce is equal to the total output that all buyers wish to purchase. This way of reaching a provisional equilibrium price is what the Scottish economist and philosopher Adam Smith described when he wrote of prices being determined by “the invisible hand” of the market

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

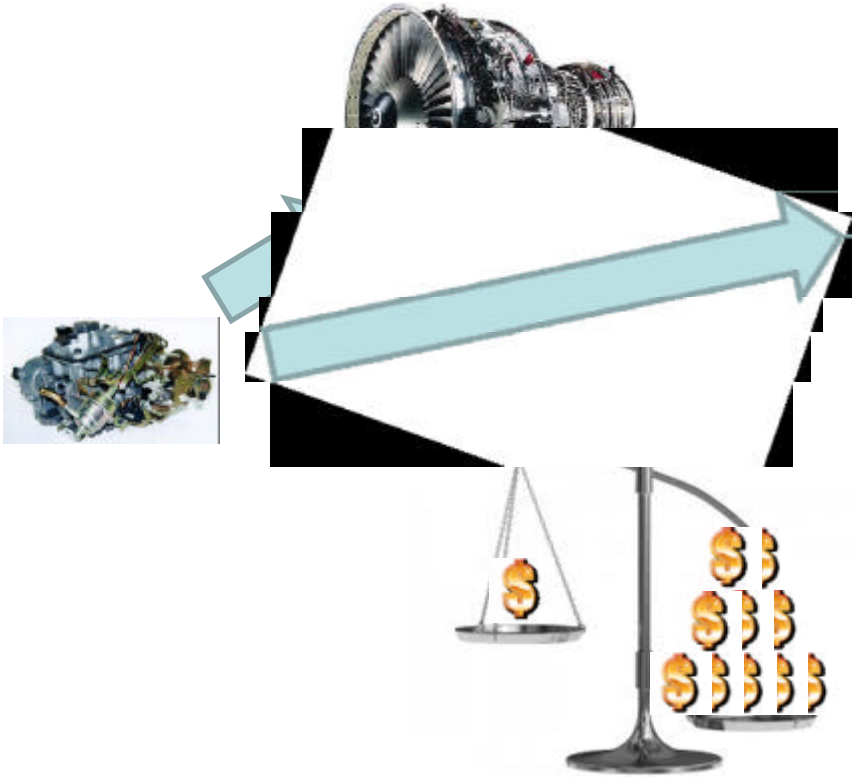
Market Economics

Razor Razorblade Business

a business model wherein one item is sold at a low price (or given away for free) in order to increase sales of a complementary good, such as supplies (inkjet printers and ink cartridges, "Swiffers" and cleaning fluid, mobile phones and service contracts) or game consoles (accessories and software).

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Aviation Market



The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Aviation Market

Average EBITDA

15-25% **0-3%**

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

PMA Market

PMA Costs:

- **Certification**
- **Production**

OEM Costs:

- **R&D**
- **Design**
- **Development**
- **Qualification**
- **Certification**
- **Production**
- **Product Support**

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

PMA Market Challenges

- **OEM Long-Term Agreements (LTA's)**
- **Power By The Hour (PBH) Contracts**
- **Modernized Fleet**
- **Surplus Parts Market**
- **Increased Share of Leased Aircraft**

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Conclusion

In The End Market Forces Will Prevail

PMA Is Here To Stay

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Aviation Component Solutions, Inc.

Deliver Cost Effective, Timely, High Quality FAA PMA Approved Parts

We'll Save Your Airline/MRO A Ton of Money …Delivering the Difference!

The information contained herein is proprietary and shall not be reproduced or disclosed to any third party without written permission of Aviation Component Solutions.

Aviation Component Solutions, Inc.

…Delivering the Difference!